

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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June 24, 2003

FROM: DAVID H. SLAUGHTER, Director
Real Estate Services Department

PATRICIA L. NICKOLS, Executive Director
Community Services Department

SUBJECT: AMENDMENT TO LEASE AGREEMENT 00-15 WITH DON W. SCHMID FAMILY TRUST, ET. AL.

RECOMMENDATION: Approve Amendment No. 4 to Lease Agreement No. 00-15 with Don W. Schmid Family Trust, 2001 David Schmid Trust, Daniel Walter Schmid Trust, William Robert Schmid Trust, Andrew David Schmid Trust, Laura M. Cook Trust and M & B McCormick Trust (Landlord) to:

1. Extend the term through July 31, 2005 for 7,819 square feet of office space in San Bernardino for Community Services Department (CSD) in the amount of \$231,792; and
2. Assign said lease to Community Services Department of San Bernardino, a non-profit corporation (CSDSB), effective July 1, 2003.

BACKGROUND INFORMATION: On January 11, 2000, the Board approved a 19-month lease agreement ending July 31, 2001 with three two-year options to extend the term with Richard J. Battaglia for 7,819 square feet of office space located at 686 E. Mill Street in San Bernardino. In the three years since the lease was originally approved, the Board has approved three amendments, which are summarized below:

Amend. No.	Approval date	Action
1	September 18, 2001	<ul style="list-style-type: none">• Provided for a Subordination, Nondisturbance and Attornment Agreement between the County, the former landlord, and California Federal Bank, the former landlord's lender.
2	February 12, 2002	<ul style="list-style-type: none">• Exercised the first of three two-year options to extend the term to July 31, 2003• Reduced the monthly rent from \$11,466 (\$1.47/sq.ft./full service) to \$9,226 (\$1.18/sq.ft./full service)

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Amend. No.	Approval date	Action
3	June 3, 2003	<ul style="list-style-type: none"> • Reflected a change in ownership from Richard J. Battaglia to Landlord. • Provided for a Subordination, Nondisturbance and Attornment Agreement between the County, Landlord, and California Bank & Trust, Landlord's lender • Changed the name and address for delivery of notices • Provided for execution of the lease agreement in counterparts.

CSDSB requested Real Estate Services Department (RESO) exercise the second of three two-year options to extend the term to July 31, 2005, and negotiate an approval and acceptance by the Landlord to assign the County's interests and obligations in the Lease to CSDSB effective July 1, 2003. The Landlord has agreed to the assignment which includes CSDSB's agreement to indemnify, defend and hold harmless the County for any liability under the Lease, and the Landlord's consent to release the County from all rights, duties, obligations and potential liability under the Lease as of July 1, 2003, the effective date of the assignment. The lease terms are summarized as follows:

Landlord: Don W. Schmid Family Trust, 2001 David Schmid Trust, Daniel Walter Schmid Trust, William Robert Schmid Trust, Andrew David Schmid Trust, Laura M. Cook Trust and M & B McCormick Trust

Location: 686 E. Mill Street in San Bernardino

Size: 7,819 sq. ft.

Term: Two years commencing August 1, 2003

Options: One two-year option to extend the term is still available

	<u>Cost per sq.ft. per month</u>	<u>Monthly</u>	<u>Annual</u>
Rent: (1 st yr.)	\$1.22/sq.ft.*	\$9,539	\$114,468
(2 nd yr.)	\$1.25/sq.ft.*	\$9,777	\$117,324

*Mid-range for the San Bernardino area

Improvement costs: None

Custodial cost: Provided by Landlord

Maintenance: Provided by Landlord

Utilities: Provided by Landlord

Right to terminate: CSDSB has the right to terminate with 90-days notice

Parking: Sufficient for CSDSB's needs

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REVIEW BY OTHERS: This item has been reviewed by County Counsel (Fiona Luke, Deputy County Counsel) on June 2, 2003 and the County Administrative Office (Daniel R. Kopp and Gary Morris, Administrative Analysts) on June 16, 2003.

FINANCIAL IMPACT: The total cost of this two-year amendment is \$231,792. The cost for fiscal year 2002-03 is \$110,712 (\$9,226 per month x 12 months). These program expenditures are funded 100% by state and federal sources. Payments will become the obligation of and made by CSDSB as of July 1, 2003. Approval of this item will not result in local cost. Annual lease costs are as follows:

<u>Year</u>	<u>Annual lease cost</u>
August 1, 2003 – July 31, 2004	\$114,468
August 1, 2004 – July 31, 2005	\$117,324

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item, concurs with the department's and RESD's proposal, and recommends this action because on April 1, 2003 the Board approved the transition of CSD to an entity separate from the County effective July 1, 2003. On July 1, 2003, the County's obligation under this lease will be assigned to CSDSB.

SUPERVISORIAL DISTRICT: Fifth

PRESENTER: David H. Slaughter, Director - 7-7813

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